

ORIGINAL



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RECEIVED

PATRICIA F. WILLIAMS
1130 Sunrise Drive
Clarkdale, Arizona 86324
November 6, 2006

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2006 NOV 13 P 3:49

AZ CORP. COMMISSION
DOCKET CONTROL
Mr. Jess Hatchmiller, Commissioner
Arizona Corporation Commission
1300 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

NOV 13 2006

E-01345A-05-0816
E-01345A-05-0826
E-01345A-05-0827

DOCKETED BY	
<i>USA</i>	<i>nr</i>

Dear Commissioner Hatchmiller:

I realize I am a few days late in getting this letter to you but wished to object to any increase for APS and UniSource. I am outraged that these corporations have the arrogance to request yet another increase. I moved to Clarkdale in April, 1999 and have kept all my bills from that time. For your information, I am enclosing summary sheets for both corporations listing the increases they have applied for and received over the past six and a half years.

I read in The Verde Independent, October 11, 2006, that UniSource has closed all its offices where folks have always gone to pay their gas bills in Northern Arizona. Cottonwood residents were informed they can pay their gas bills at Ace Check Cashing Service. That firm has informed residents that after a grace period, Ace would be charging A FEE FOR THE CASH PAYMENT OF GAS BILLS. Outrageous!!! After gouging their customers through monthly increases, now they're making it even more difficult for people to pay their bills.

I also read in The Verde Independent, October 27, 2006 that UniSource has filed with the ACC to reduce customer bills as wholesale gas prices tumble. Big deal! The drop in per-therm surcharge would fall to 20 cents per therm (from the current 25 cents per-therm) in December and January before spiking back to 25 cents per-therm next March and April. Right after Katrina (a cash cow for major corporations) they raised their rates. Then they reported an over collection of approximately \$5 million in August.

Exxon/Mobile reported a \$30 BILLION profit last year, 2005, the highest on record, while the consumers were paying \$3.00 plus per gallon of gas. Gas companies reported a \$1BILLION profit last year.

I am appalled that these corporations are getting away with charging their customers for their own lack of planning and foresight (no new refineries built to handle the

extreme and rapid growth), mismanagement and exorbitant CEO salaries. The Corporation Commission is supposed to be the "watchdog" for protection of the consumers. Please, do not let these corporations continue to get away with the gouging of their customers to pay for their own greed.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Patricia F. Williams".

Patricia F. Williams

Encl.

Cc: Mark Manoil

OPINION

5-4-05

Quinn

THE ARIZONA
CORPORATION
COMMITTEE
SAYS IT'S
OKAY



Quinn-05
Cottonwood JOURNAL
EXTRA

INCREASES ALLOWED SINCE 1999 FOR UNISOURCE ENGERGY SERVICES

March, 1999	My bill was \$19.73 which included a connection fee of \$10.55
December, 2000	Increase of \$8.00 more a moth due to higher oil and gas prices and increased demand; PGA cost was \$5.46
February, 2001	PGA cost was increased; up to \$7.91
October, 2001	Insert with bill saying prices would rise 27-31% due to higher gas prices and short fall of uncollected funds from customers.
December, 2001	PGA increased to \$11.68
January, 2002	PGA increased to \$25.42
December, 2002	Local gas companies purchased by Unisource.
September, 2003	Meter charge went from \$5.00 to \$7.00 per month.
March thru August, 2004	approximately same fluctuations; cost down in warmer months.
February, 2004	A surcharge of \$9.93 was added to bills. Radio station reported during week of February 2, 2004, that when Unisource purchased gas companies in 2002 they <u>acquired their debt</u> which the consumers were paying off.
March, 2004	Received notice that bills have been increased to cost of gas; expect average bills to reach \$115 per month.
May, 2005	The ACC granted a \$.03 per therm PGA cost which will remain until the balance of uncollected gas costs is reduced to ZERO, or by order of the Commission. How can they ever reach "0" when uncollected funds still increase? And anyway, WHO IS CHECKING THIS?
June 2005	Another notice saying the cost of gas services are expected to reach \$1.00 per therm between 2/05 and 3/06. The surcharge is not expected to cover the cost of past purchases.
August, 2005	There was yet another increase of \$.27. (See enclosed article.)
October, 2005	this company asked the ACC for yet another increase of \$.27 over the \$.03 therm applied to bills since April, 2005. If approved, bills would increase on an average of \$18.00 per month during November thru April and \$4.80 per month May thru October. On October 21, 2005 the ACC granted a \$.15 increase for February; \$.25 for March and April and another \$.05 increase for May thru June, July and thru September.
February, 2006	Then they applied for ANOTHER INCREASE.

All these increases, yet the gas companies reported a \$1billion profit last year. Exxon/Mobile reported a \$30 billion profit last year, the highest on record.

Visit us ONLINE: www.verdevalleynews.com

UniSource seeks hike in natural gas rates

By KEN HEDLER

Contributing Reporter
khedler@prescottaz.com

Natural gas bills will increase an average of \$2.92 per month for a year beginning in April under a proposal that UniSource Energy Services (UES) submitted to the Arizona Corporation Commission, UniSource reported.

UniSource, based in Tucson, said it has applied to the ACC for a 6-cents-per-therm surcharge of for a year to offset the costs of higher wholesale prices for natural gas.

UniSource said its customers now pay 70.04 cents per therm (the standard unit of measurement) for the basic cost and 17.29 cents for a 12-month rolling average.

UniSource previously projected that the average residential customer would use 75 therms in December and pay \$80.18, spokesman Joe Salkowski has said. He added in December that customers could expect a bill for \$114.85 in January.

"It's a new surcharge, but it's the same old problem," Salkowski said. "UES does everything it can do to try and purchase gas for stable prices for customers, but the market has not been friendly to consumers."

Salkowski said that "surging" wholesale gas prices and "unusu-

ally high usage" in November forced UniSource to pay more for gas than the company could recover from customers through ordinary rates, the press release stated.

UniSource stated that gas costs so far this winter have been 16 percent greater than what the company has recovered from customers.

The utility's request for a purchased gas adjustor surcharge is more than half of the 11.5-cent surcharge that the ACC removed from bills beginning in November in response to complaints from area residents about retail gas prices.

And while UniSource claimed that the 6-cent surcharge would increase bills by only about 5 percent, ACC Commissioner Kris Mayes expressed concern. Mayes, a Prescott native, spearheaded a drive to reduce gas prices this past January after area residents complained about skyrocketing gas bills, and the panel voted in the spring to remove the 11.5-cent surcharge.

"It's obviously not good news," Mayes said. "It's unwelcome news. Obviously, UniSource is going to have to present a compelling case for why the commission should approve the surcharge."

Mayes met with James Pignatelli, chairman, president

and chief executive officer of UniSource, to discuss the proposed surcharge.

Asked about the ACC's possible reluctance to approve the request, Salkowski cited a recent decision by the panel to authorize a similar surcharge for Southwest Gas, which serves customers in Maricopa and other counties.

However, Mayes said the ACC approved a 2-cent-per-therm increase for Southwest — half of what the utility requested. The ACC also ordered Southwest officials to report back in three months on the "uncollected balance," the portion of the higher costs for wholesale gas that the utility does not collect from customers.

UniSource apparently applied too late to appear on the agenda for a February open meeting of the ACC, Mayes said.

UniSource wants gas surcharge

Mayes calls request 'extremely large,' seeks public meeting

V.T.
8.21.05
By JASON SOIFER
Contributing Reporter
jsoufer@prescottaz.com

UniSource Energy Services (UES) is seeking a 27-cent surcharge for natural gas customers to cover rising natural gas costs.

Joe Salkowski, a spokesman for UES, said the utility company is asking the Arizona Corporation Commission (ACC) to approve the surcharge because "it's become clear to us we really can't move forward without finding a way to recover some of those costs."

If the ACC approves the surcharge, UES residential customers' monthly bills would increase an average of \$18 a month from November through April – when gas usage peaks – and by an average of \$4.80 a month from May through October – according to a UniSource press release.

Commissioner Kris Mayes sounded a cautionary tone with UES's request.

"I would say this is an extremely large request by the company," she said. "A 24-percent increase would be a shocking amount for most customers. Therefore, UniSource is going to have to prove their need for this amount ... it's a very large increase."

Mayes said she is opposed to UES's request for a Sept. 8 open hearing. Mayes said she will ask the commission for an evidentiary hearing and period for public comment before the ACC makes a final decision.

"UniSource bears the burden to demonstrate why they need to increase bills," she said. "There is no doubt the price of natural gas is rising, but that doesn't mean we won't take a very close look at this case and require the company to prove its case."

Salkowski contended that the surcharge is warranted. "They (the ACC) could (approve a portion of the surcharge or none of it) and it is something they may well do," he said. "The cost we've incurred justifies the amount we've requested."

Salkowski said UES will show evidence of their costs and ask the commission to approve the surcharge and recoup them.

He said UES has spent about \$4 million more on gas already than it has charged to customers, including the current 3-cent surcharge the commission approved earlier this year.

One major problem Mayes has with UES's request is that it includes costs the utility anticipates it will incur as a result of the El Paso Natural Gas rate case.

According to Mayes, that case involves the El Paso Natural Gas Company asking the federal government for a rate increase that it in-turn would pass on to UniSource and the utility giant would ultimately pass into the lap of consumers.

"The concern is about approving something that hasn't happened yet," she said. "So we will have to take a very close look at that request."

The commission can approve the surcharge, a portion of it or none of it. "We don't have to approve all of it," she said. "We don't have to approve any of it."

Mayes is unsure when the commission is likely to rule on UES's request. "I frankly don't know," she said. "I think we need to allow for an evidentiary hearing and public comment. It may be toward late fall, I don't know for sure."

For Mayes, the issue underscores the need to find alternate sources of energy and stop relying so heavily on fossil fuels.

"Long term we have to get the price of natural gas under control," she said, "and that means we have to wean ourselves off of it. We need to do more renewable energy."

Journal
nesday, August 24, 2005 - 5A

UniSource asks for 27-cent surcharge

UniSource Energy Services has asked the Arizona Corporation Commission to approve a new surcharge on customers' gas bills beginning Saturday, Oct. 1, to recover the rising cost of natural gas purchases. UES made its request during an open meeting Thursday, Sept. 8.

The \$0.27-per-therm surcharge would represent a \$0.24 increase over the \$0.03-per-therm surcharge that has appeared on customers' bills since April. Steep increases in the wholesale price of gas and an impending rate increase by El Paso Natural Gas Co., which delivers gas to UES, will drive this winter's gas costs beyond the level that can be recovered through current rates.

If the ACC approves this request, the typical UES residential customer's monthly bills would increase by an average of \$18 per month, from November through April, when gas usage peaks, and by an average of \$4.80 per month, from May through October.

The wholesale cost of natural gas for use this winter has risen to \$0.95 per therm, above the price of between \$0.60 and \$0.70 per therm that was anticipated when UES asked the ACC to approve a \$0.06-per-therm surcharge in January. The ACC approved the current \$0.03-per-therm surcharge in March.

The EPNGC rate increase, which will take effect in January 2006, will add approximately \$9 million per year to transportation costs that UES pays in association with its gas purchases. That cost was not built into either the current surcharge or the basic UES rates that took effect in August 2003.

If the current \$0.03 surcharge is not increased, UES expects to accumulate \$25 million in uncollected gas costs by January 2006 and \$45 million by January 2007.

For information on budget billing, energy efficiency and low-income assistance or any UES program, call toll free 1-877-837-4968 or visit uesaz.com.

ACC hearing on gas price has sparse response

UniSource requesting quarter surcharge

By JASON SOIFER
Contributing Reporter
jsaifer@prescottaz.com

Public comment was virtually nonexistent when Arizona Corporation commissioners expressed their views on UniSource Energy Services' (UES) surcharge request late last week.

At a public meeting in the council chambers at Prescott City Hall, commissioners gave their thoughts on the quarter surcharge UES is seeking to defray rising natural gas costs.

Only two people commented on the possible surcharge, which the commission could decide as early as next month.

Commissioner Kris Mayes said the residents of northern Arizona have absorbed rate increases of more than 80 percent over the past three years.

"It's difficult to be home under these circumstances," she said. "I think people are picking up the tab and it has been painful."

Mayes called on the utility giant to put a voluntary moratorium on disconnecting customers who have trouble paying their bills this winter.

UES filed for commission approval of the surcharge in August.

The commission's staff report recommends implementation of a 19-cent surcharge for a year starting in November and increasing to 25 cents from January through October 2006.

The staff report also supports a 5-cent surcharge once the 25-cent surcharge expires.

Joe Salkowski, a spokesman for UES, said the company needs the surcharge and it understands the cost to consumers is significant.

"We also understand that if we don't pay these gas costs now, these same customers will be paying them well into the future," he said.

If the ACC approves the surcharge, UES residential customer's monthly bills would increase an average of \$18 a month from November through April-when gas usage peaks - and by an average of \$4.80 a month May through October - according to an UES press release.

However, it bothers Mayes that UES's request includes costs the utility company anticipates it will incur as a result of El Paso Natural Gas Company's request

from the federal government for a rate increase.

If El Paso gets the rate increase, it is going to pass it on to UES and it ultimately will land in the lap of consumers.

Commissioner Jeff Hatch-Miller said all energy costs are spiking and he said commissioners must try to make any possible surcharge manageable.

"There are a lot of things that we can do and we need to do it fast," he said. "Everything you don't do now, you are going to pay for it later."

Commissioners also talked about the lack of natural gas storage capacity in the state and the void the stored resources would fill.

Commissioner Mike Gleason said UES isn't making any money and said the surcharge is simply a pass-through cost.

Gleason also disputed Commissioner Marc Spitzer's comment that global warming is responsible for creating some of the hurricanes responsible for disrupting natural gas flows.

"There is no proof that there is global warming," he said.

Gleason - "no global warming"

ACC OK's ^{V.I.} ^{10.21.05} UniSource's proposal to increase rates

By JASON SOIFER

Contributing Reporter
jsoufer@prescottaz.com

The cost to stay warm this winter is increasing.

The Arizona Corporation Commission approved a surcharge request by UniSource Energy Corporation (NYSE: UNS) to defray the rising cost of natural gas.

Commissioners voted 4 to 1 to approve the energy company's request.

Commissioners William Mundell, Jeff Hatch-Miller, Marc Spitzer and Kristine Mayes approved the UniSource surcharge after more than five hours of discussion Tuesday afternoon. Commissioner Mike Gleason voted against it.

UniSource customers are facing a 15-cent spike starting in November through February 2006. That jumps to 25-cents in March and April and another nickel from May through June.

Another 5-cent spike hits consumers from next July through September and then drops 10-cents October and November. The surcharge drops a nickel from December through February 2007 and jumps up to 25-cents from March through April 2007.

Joe Salkowski, a spokesman for UniSource said that gas prices continue to climb. Salkowski added that the gas company is facing more than \$20 million in uncollected gas costs this winter.

"We are concerned that this doesn't address the problem that the entire gas costs pose to our customers," he said. "Gas prices have increased even in the time since we made our original filing. By our calculations based on current gas costs, our balance of uncollected gas costs is going to exceed \$20 million this winter and we don't foresee a time when it will be below \$20 million under the current proposal."

Commissioners unanimously approved an amendment Gleason crafted to exempt UniSource customers enrolled in the energy company's CARES and Warm Spirit programs offering discounts and financial assistance to low-income customers.

"We can't leave people in distress when it gets so cold in Prescott," he said. "This is a fair financial burden on the company. This is essentially a way that we can alleviate the extra charges on people of low incomes."

UniSource also agreed to a moratorium on disconnecting customers who have trouble paying their bills this winter.

Commissioners approved Mayes' amendment laying out how UniSource customers are going to pay the surcharge.

Mayes said drafting the amendment was difficult but is fair. "It asks of the rate payers of UniSource to pay some very high prices this winter," she said. "It's a graduated reasonable approach to the surcharge."

"It hopefully will help us to avoid rate shock and I think it's

in the public interest I am opposed to rate shock I am opposed to putting people's health and safety at risk."

Gleason opposed the amendment and argued that it puts an unfair burden on fixed-income customers.

"I can't go along with a budget shift," he said. "This is the worst thing you can do to fixed income people. You are not telling them what their costs are we are going to be back here in eight months, maybe less. This is a terrible, terrible amendment."

For more information, visit www.unisourceenergy.com or www.cc.state.az.us.

PLEASE READ: AN IMPORTANT NOTICE ABOUT GAS COSTS

UniSource Energy Services (UES) has asked the Arizona Corporation Commission (ACC) to approve a six cent-per-therm surcharge on customers' gas bills to recover the cost of natural gas purchases.

If approved, the surcharge would be applied to gas customers' bills beginning April 1 and removed one year later. It would add an estimated \$2.92, or about 5 percent, to the average UES residential gas bill, though the impact will vary depending on the amount of gas used. The surcharge will recover costs incurred to purchase gas for customers, and UES does not profit from it. Visit <http://www.uesaz.com> for more information about gas rates and the potential impact of this proposed surcharge.

The ACC is tentatively scheduled to discuss this matter Thursday, Mar. 24, in a meeting that begins at 10 a.m. in the ACC's first floor hearing room, 1200 W. Washington, Phoenix, AZ 85007. If this schedule changes, the new meeting date will be posted at <http://www.uesaz.com>. If you have any questions about this matter, you can contact UES by calling 1-800-635-8033. To find out how to comment on the proposed surcharge, you can call the ACC at 1-800-222-7000 or visit <http://www.cc.state.az.us>.

How about some fair play from Unisource?

Editor:

I recently spoke with some senior citizens here in the Verde Valley. It seems that Unisource, the natural gas supplier in most of Northern Arizona, has closed all of its offices where folks have always gone to pay their gas bills in Northern Arizona. In Cottonwood, the people have been told that they can pay their gas bills at "Ace Check Cashing Service." Ace Check Cashing Service has informed the people that after a grace period, Ace would be charging a fee for the cash payment of gas bills.

Let's see, first Unisource raises the gas rates and delivery charges. Now, they are gouging those who can least afford it for the offense of trying to pay their bills in cash. You have many people, especially senior citizens, without checking accounts, without computers, Internet access, or enough cash in savings to be qualified for free checking being faced with more expenses now.

Unisource, when questioned about the change, replies the customers have the options of paying with checks, money orders, auto-payments, or paying through the Internet.

They don't get it! People living from paycheck to paycheck, Social Security check to Social Security check sometimes can't afford the stamps and check charges or money order charges, on top of the large increase of rates by Unisource. Gouging the poor is unethical, unfair, and wrong. Now, they have to stand in long lines just to pay a bill, feeling cheapened and vulnerable.

I hope that some arrangements could be made by Bashas', Safeway, Fry's, Food City, or some other entity to arrange for a pay station for these people to pay their gas bill. It might not sound like a big deal to some of us, but to those who can least afford it, this is just too much. I hope that everyone will contact Unisource to voice their disgust and disdain for the unethical and unfair treatment of these customers who will be impacted.

Patricia J. George
Camp Verde

V. Del.
10-11-06

V. Independent UniSource may owe customers money

ACC warns gas company of over-collecting

By JASON SOIFER
Contributing Reporter
jsoufer@prescottaz.com

UniSource Energy Services customers might receive a credit on their accounts in the coming months.

Kris Mayes, a commissioner with the Arizona Corporation Commission, sent a letter on to the gas company about a surplus in the company's Purchased Gas Adjustor bank balance.

Mayes wrote that a recent dip in natural gas prices caused an

over-collection from consumers of approximately \$5 million in August.

If gas prices continue to tumble, Mayes said the over-collections could swell to approximately \$20 million next summer.

"It's pretty clear that we need to take a second look at the rate UniSource is charging its customers," she said.

"This is a company that is very quick to file with the commission when it believes its customers are not paying enough and they should be just as quick to return money to their customers if it's owed to them."

Art McDonald, a spokesman for the gas company, said it was too early to talk about the letter.

"We want to make sure our

customers are treated fairly in all this and we intend to fulfill our obligations with the order," he said. "Obviously we're going to respond to Commissioner Mayes' letter."

Mayes explained that UniSource is under order to file with the commission when its bank balance is over- or under-collected by roughly \$4 million.

The energy company must make a proposal to credit customer's bills or explain to the commission why they shouldn't have to, according to Mayes.

The ACC permits companies to use a mathematical formula known as the Purchased Gas Adjustor to handle the highs and lows of natural gas they purchase.

It adjusts monthly to reflect changes in the gas company's

average cost of natural gas over the previous 12 months and the commission monitors all gas company PGA balances to make sure they are not over- or under-collecting, according to the commission's Web site.

Jeff Hatch-Miller, chairman of the commission, said he welcomes the news of falling gas prices, but he warns that prices could spike anytime.

"All in all it's great news for customers," he said. "The possible drawback is the futures market still shows \$10 gas this winter."

"If that holds or even changes upward as some predict, it doesn't mean we're out of the woods completely but it means that right now that we're seeing some blue sky and I'm very excited about that."

V. Independent
10.27.06

UniSource customers get winter break on bills

Company wants to reduce price per therm by 20 cents

By **JASON SOIFER**
Contributing Reporter

UniSource customers are a step closer to getting a break in their winter bills.

UniSource Energy Service has filed with the Arizona Corporation Commission to reduce customer bills as wholesale gas prices tumble.

The energy company is seeking approval from the commission to reduce

the Purchased Gas Adjustor Surcharge 20 cents to 5 cents per therm from December through April 2007.

A therm is a unit of measurement of natural gas.

The 25-cent-per-therm surcharge should fall to 20 cents per therm in December and January before spiking to 25 cents next March and April.

Commissioner Kris Mayes said the reduction cuts the typical residential bill \$13.60 per month.

"That's very good news for the coming winter and I'm very hopeful that we can get some relief to UniSource customers this winter," she said.

"When the price of natural gas goes down, UniSource has a duty to pass those

decreases on to its customers and that's what we expect them to do."

Commissioner William Mundell said it's good news for customers.

"Every little bit helps and we have been adamant about requiring the companies to file when there is an over collection in the adjuster mechanism," he said.

Mayes crafted a letter to the gas company in September about a surplus in the energy company's PGA bank balance after dropping gas prices caused an over collection from consumers of approximately \$5 million in August.

"Right now natural gas prices are lower than they had been last year so customers should be allowed to see the benefit of that," she said.

INCREASES ALLOWED SINCE 1999 FOR
ARIZONA PUBLIC SERVICE

From November, 1999 through December, 2004, my monthly electric bills ran from \$14.53 up to \$28.11. The highest bill was in January, 2004 when there was an increase in the KWH used which equaled \$19.22

From January, 2005 thru December, 2005, my bills ran from approximately \$13.00 up to a high of \$37.96. An application for an increase was filed with the ACC in November, 2005.

In January, 2006, APS filed for an emergency rate increase and in February the ACC granted that increase.

In April, leaders in the Verde Valley met to discuss the increase in rates.

In May, 2006, my bill was \$32.71 and the insert with the bill said it included an increase the ACC granted them. It appears APS had received two increases in less than 5 months.

In July of 2004, there was a generator fire and APS had to spend \$400,000 for a new one. This cost was passed on to the customers.

Palo Verde has been shut down innumerable times; they just can't see to get it to work right and every time it is shut down it costs the customers more money.

*Palo Verde was just shut down again
on October 20, 2006.*

APS files for 20-percent increase

Extra 11-16-05
Electric service provider Arizona Public Service has requested a 20-percent rate increase for its retail customers to become effective no later than December 31, 2006.

About 60 percent of the total request is due to the higher cost of fuel and purchased power.

The application, filed Nov. 4 with the Arizona Corporation Commission, is in addition to the company's \$80 million power supply adjustor surcharge request that is currently pending before the ACC.

As proposed, that surcharge would add a 1.7 percent temporary increase to customers' bills for 24 months. The ACC held

hearings on the proposed increase in October, but has not yet acted on it.

"Increases in fuel prices are having a dramatic impact on our business and the cost of electricity," Jack Davis, APS president and CEO, said. "The simple fact is that fuel is our single largest cost of providing electricity. And, since we only charge our customers for what the fuel costs us, our rates need to reflect

the true prices we pay."

Davis said although fuel costs represent almost 2/3 of the company's requested rate increase, they are not the only reason. The request also includes the costs of

new facilities to serve customers, financing costs, and other costs of providing reliable service.

If the firm's full request is approved by the ACC, an average monthly residential bill would increase 20 percent from about \$101 to about \$121, based on average usage of around 1,100 kilowatt-hours of energy.

Rates for commercial and small business customers would increase about 19.5 percent on average. The average increase for industrial customers would be about 21.5 percent. Individual bill increases will vary depending on usage patterns.

Customers wishing to learn more about the rate filing can go to brightarizonafuture.com for further information or call APS toll free at 1-800-253-9405.



Take a perilous climb on an APS rate hike

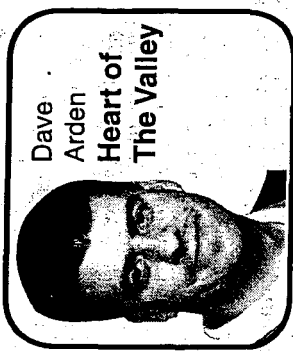
Conventional wisdom provides us three inevitable realities in life: death, taxes, and road construction. But a new strong contender for the No. 4 spot has emerged, at least in Arizona. The Arizona Public Service rate hike.

Every time we turn around lately, there is a new power bill sticking us with extra fees, surcharges, and back costs. Call it the Big Unit, but it certainly gives a whole new meaning to the term kilo-watts ... or should we say killer-watts. The effects upon our morale are definitely destructive.

Arizona is in an energy pinch, and it's more than just our pocket-books that are experiencing the rolling blackouts. The company itself has some major financial concerns for its future and it pays literally to take a look and see what the future implications on the Verde Valley consumer might be.

Who is to blame? The \$6 million spent in advertising on a major sports center became an obvious target for the budget knife. The second-guessing of power stoppages at the Palo Verde Nuclear Plant have become scrutinized. First a rate hike in January and now another? Feels like a shot below the belt right at my wallet. But when you take your Monday morning quarterback helmet off, the problem is not that simple.

The situation starts here. Pinnacle West Capital Corp (APS parent company) has \$12 billion in assets and has been working feverishly to invest in enough infrastructure to keep up with the state's growth. But the



Dave Arden
Heart of
The Valley

company does not provide all our power during the hot summer months and must borrow from a Western Power grid and pass the cost on to us. In addition, they have had to purchase large quantities of natural gas, which has also see huge price hikes.

The problem is ... unlike Wal-Mart, which can change their pricing and manage their product costs on a dime, the large juggernaut of APS must go before the Arizona Corporation Commission (ACC) and petition for changes in the market from expense averages back in 2003. And they must get approved. In other words, the explosive price spikes in the market from the last three years are just now going before the consumer. Any energy product price increases this year that APS incurs, we will not see not likely see until 2009.

In a country that leads the world as the architect of the computer industry and uses solar power in space, we still have inefficient government oversight that has in great part hamstringing the state energy industry. In Arizona, when you add up the perfect storm of explosive population growth (adding 40,000 some customers a year), the need for billions in new infrastructure, the intensely hot summers, and the pure rising energy costs themselves, we may just have to hang on for the ride.

But wait? The news gets worse. Because that storm has been going on for a while, and the ACC failed to act in 2005 to provide a back-expense surcharge then, Wall Street has

temporarily deemed APS investment an ugly duckling. Given the need for new power station supply and new transmission equipment, this could not have happened at a worse time.

The APS capacity to invest in future infrastructure has been greatly hampered since their S&P credit rating dropped in December to BBB-. Pinnacle Corp West has \$2.6 billion in long-term debt that comes at a huge cost in interest. If that credit rating were to drop further — which is a possibility — it would literally cost the company in the next 10 years even more billions in interest. And guess who would pay? We the people.

Does APS bear some responsibility? No doubt. The "rock and hard place" position leaves virtually no margin for error, and company execs are still human. Innovation for efficient new energy sources (like solar energy) has been in place for years but unable to keep up with our state's phenomenal needs. Bold, almost outlandish, leadership is necessary. But until there is a long-term outcry from the public, and the regulatory structure turns upside down to pro-actively change product pricing, we have to love the one we're with.

Get out your hiking books and prepare for the big climb. It's just getting started. The Regulatory Cliff and the Tunnel of Transmission Costs await. Charge up literally through Mount Infrastructure and the Pit of Inefficiency all from your own home — and hopefully it's a small one.

And don't stress too much about it. Raising your own body temperature only powers the A/C that much more.

Dave Arden's column appears in the Sunday Verde Independent/Camp Verde Bugle.

ACC OKs rate hikes for APS, UniSource

By KEN HEDLER

Contributing Reporter

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Arizona consumers can expect higher bills from Arizona Public Service (APS) and UniSource Energy Services.

However, the Arizona Corporation Commission (ACC), in separate decisions, granted only a portion of the requests that APS and UniSource were seeking.

The ACC approved a rate increase that averages 4.21 percent for APS, down from the utility's initial application for a 10-percent increase. APS has not seen its rates rise since 1991.

Residential customers of APS can expect their average bills to increase \$3.13 per month from \$72.09 to \$75.22 in the next billing cycle, according to APS.

The APS rate and surcharge for UniSource customers will go into effect immediately, ACC Commissioner Kris Mayes said.

The ACC then OK'd a surcharge of 3 cents per therm — the standard measurement for gas usage — for UniSource to offset higher wholesale costs for natural gas.

The surcharge, called a purchased gas adjustor, will increase residential bills an average of 2.5 percent a year, UniSource spokesman Joe Salkowski said.

"We certainly understand that the commission needs to be sensitive, as we are, to the costs of gas," Salkowski said. "I will say that this decision will not allow us to recover the amount of money that we have already paid to purchase gas for our customers."

Responding to an outcry from customers in the tri-city area, the ACC voted in March 2004 to remove a surcharge of 11.5 cents per therm for UniSource customers effective this past November.

The ACC granted a similar surcharge for APS called a power

supply adjustor (PSA) that would go into effect in April 2006. A press release from the commission states that the adjustor would be set to collect fuel and purchased-power costs that exceed the costs that the existing rate formula reflects.

"The main concern that the commissioners had was that the PSA needed to be limited," Mayes said. "We wanted to make sure that the ratepayers were protected from the escalating costs of natural gas because power plants use natural gas (to generate electricity). We wanted to make

sure that the PSA did not allow the company (APS) to pass all those costs on to ratepayers."

Mayes also introduced an amendment to the administrative law judge's recommendation to exempt low-income customers from having to pay the surcharge. She said an estimated 30,000 customers qualify for the exemption statewide.

APS spokesman Jim McDonald said the ACC's action "resolved some important and long-standing issues and provided a measure of financial stability to the company. In other words, we will be able

to continue to provide the kind of reliable service that Arizona needs with the growth we are experiencing."

ACC Commissioner Bill Mundell described his votes in favor of the APS hike and UniSource surcharge as "very, very tough and difficult votes."

"Even with the increased rates for APS, the rates are still lower than they were in the 1980s," Mundell said. "APS' rates have gone down 16 percent since 1991. This was a much more difficult vote for me than when I voted for a 7.5 decrease in rates in 1999."

ACC grants rate hike for APS

V.I.

2.1.06 By JASON SOFIER
Contributing Reporter

The Arizona Corporation Commission (ACC) narrowly approved a highly sought rate hike for Arizona Public Service.

The ACC decision capped nearly two days of debate and translates into a four-tenths of a cent per kilowatt-hour increase in APS customer bills effective Feb. 1.

Commissioners Kristin Mayes and William Mundell voted against the request. Commissioners Jeff Hatch-Miller, Marc Spitzer and Mike Gleason voted for the rate hike.

"I thought the order was tilted too far in the direction of the company and that's why I voted against it," Mayes said. "I can see that the company needed to have some relief, and they will be get-

ting that."

Commissioners approved a Power Supply Adjustor (PSA), which allows the utility to recover some of the money it spent to buy power and natural gas for its customers.

The rate increase enables the utility company to repay about \$112 million in accumulated debt

See APS, Page 5A

APS

Continued from Page 1

over the next year, according to a press release from the ACC's public information office.

APS informed state law-

makers this past month that it might seek an emergency rate hike to defray rising natural gas and power costs.

Jim McDonald, a spokesman for APS, said the hike is an important first step. "It was a positive signal, but there are important issues that remain," he said.

Commissioners did not approve another 1.8-percent surcharge, opting to delay implementation of it until after April 1.

Standard & Poor's Rating Service downgraded the utility's corporate credit rating a notch and warned that it might drop it to junk status

unless state regulators approve electrical bill increases in December.

"It's clear that both consumers and utilities are being hit hard with these gas costs," Mayes said. "It's a very difficult time for everybody and we've just got to weather the storm for the next six months."

APS, valley leaders discuss rate hike

Majority of increase tied to fuel costs

4.7.06

By STEVE AYERS

Staff Reporter

sayers@verdevalleynews.com

Representatives from Arizona Public Service came to the Verde Valley on Monday to explain their side of recent rate hike requests the utility has made with the Arizona Corporation Commis-

sion.

The state's largest electrical provider has requested a series of rate hikes including one permanent general rate hike and two temporary emergency hikes.

APS has already received approval for a 5 percent Power Supply Adjustment and a 2.6 percent surcharge to cover additional fuel costs incurred last year. Those cost are directly related to the increase in the cost of natural gas.

"Those rate increases, and the majority of the general rate increase, are all fuel cost issues," Vice President of Customer

Services Jan Bennett said.

The general rate hike being requested is a total of 18.3 percent, 11 percent of which is to cover future fuel costs and 7.3 percent to cover administrative costs and capital outlays for future expansion.

The utility has asked that the 11 percent portion to be enacted immediately.

Bennett pointed out that APS lowered its rates nine out of 10 years between 1994 and 2004 for reduction of approximately 16 percent.

"If the ACC approves our general

See APS on 5A

APS

Continued from Page 1A

rate increase, our new rates will still be lower than we were in 1991 if you consider the costs in relation to the consumer price index," Bennett said.

Bennett, addressing a group of community leaders, explained that the rate hikes were necessary not only because of the rising fuel costs, but also because of the effects of deregulation and rapid growth within the utility's service area.

"With 40,000 new customers a year and no end in sight, it is important that APS remain a financially viable utility," Bennett said. "If we don't, and we end up having a junk bond rating, it will cost hundreds of millions of dollars just in the cost of borrowing money."

APS currently has about 1 million customers and is projecting the figure to double in another 25

years.

Deregulation, which took effect in the late 1990s forced APS to go to the open energy market to purchase additional power. The problem, according to Bennett, was the only new plants being built at the time were fired by natural gas.

"In the 1990s, natural gas was the fuel of choice. It was clean, easy to transport and cheap. Now, with its cost way up, we need to start recovering the difference," Bennett said.

Bennett said that although natural gas prices have stabilized, it still remains a volatile market.

According to Bennett, the ACC is not expected to rule on the rate increase until the end of the year.

"It is possible that customers will see some overlap between the temporary rate increases and the permanent one. However it should not be for much more than a month or two," Bennett said.

4. L. O. 13/14

Agency OKs APS surcharge

But panel undecided on emergency rate hike

By Ken Altucker
THE ARIZONA REPUBLIC

The Arizona Corporation Commission on Wednesday approved Arizona Public Service Co.'s request to levy a \$15.3 million surcharge on customers to recover fuel costs.

The surcharge means that the typical residential customer's monthly bill will increase 64 cents, to \$107.51, based on 1,162 kilowatt-hours of electricity use, according to APS.

But the surcharge will not kick in until the Corporation Commission decides an-

other case: APS' emergency request to hike residential bills 11 percent to raise about \$230 million. A hearing on that case concluded last week, and a final decision could come before the end of April.

The surcharge and emergency-rate case are among a handful of bill-increase requests the Phoenix-based utility has asked state regulators to approve. APS said its mounting fuel bills have created a financial strain, and a Wall Street ratings agency has

The typical residential customer's monthly electricity bill will increase 64 cents, to \$107.51, Arizona Public Service Co. says.

Agency OKs APS surcharge

APS

Continued from D1

threatened to lower the company's corporate bond rating to junk status. Such a move could raise the utility's borrowing costs significantly.

In January, the commission approved an "adjustor" that raised the typical residential bill 5 percent.

APS' pending bill-hike requests include:

■ A general-rate case that would increase electricity bills 21.3 percent and raise

more than \$400 million. Any bill increase approved through the emergency-rate case would be subtracted from the general-rate case.

■ Another surcharge that would raise \$44.6 million to pay for electricity and fuel the utility had to buy as a result of last year's outages at the Palo Verde Nuclear Generating Station. The Corporation Commission has hired an expert to review the Palo Verde outages and determine whether those costs were prudently incurred.

V. Ind.
5.14.06

ACC grants APS 7.5 percent rate hike

By JASON SOIFER
Contributing Reporter

The Arizona Corporation Commission has granted another rate hike for Arizona Public Service.

The commission granted the company a roughly 7.5-percent rate hike that increases average residential bills about \$7.33 per month this summer and \$4.75 in the winter.

APS sought an 11-percent hike to prevent its bond rating falling to "junk" status and recover natural gas costs. A hearing officer recommended granting APS roughly 5.5 percent.

Commissioners William Mundell, Jeff Hatch-Miller, Marc Spitzer and Kristin Mayes voted for the rate hike. Commissioner Mike Gleason voted

See APS, Page 5A

APS

Continued from Page 1

against it.

"What we were voting on was how soon we would pay back APS for the power they've already sent their customers," Gleason said. "And the danger is that if we don't give them enough payment they could go into 'junk' bond status."

Mayes said Tuesday's vote

should handle that.

"We believe this will prevent that down rating," she said. "In return for that, we are expecting APS to cut unnecessary expenses and improve its performance at the Palo Verde nuclear station and other areas of the company. This is a two-way street to be sure, and APS needs to step up to the plate."

Jim McDonald, a spokesman for APS, said the increase allows the company to recover a portion of its natural gas expenses.

"We need to recover all of our fuel costs," he said. "It's very difficult to increase customer bills and we understand how

difficult it is. It's a tough balance."

This is the second APS rate hike the ACC has approved in less than five months.

The commission granted APS a roughly 5-percent increase in late January.

One of Mayes' amendments the commission approved urges APS to create a rate stabilization fund by getting the company to cut spending money on sporting events, luxury sky boxes at sporting venues and giving bonuses to executives.

"We expect APS to cut these types of frivolous expenses at a time when their customers are paying more," she said.

Gleason said the difference between his amendment and the Mayes amendment that they approved is about 60 cents.

"As far as I'm concerned we took a big gamble for 60 cents a month," he said. "I just didn't want to be a part of that."

Gleason also faulted Mayes' amendment calling on APS to stop paying for luxury boxes at sporting events. He said that amounted to the commission "meddling" in the management of APS.

"That is by case law we're not supposed to do," he said. "I'm afraid we established precedents. Those are shareholder's monies."



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

May 26, 2006

Summary of what you owe

Amount owing on your previous bill	\$23.45
Less Payment made on May 10, thank you	-\$23.45
Equals Your balance forward	\$0.00
Plus Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$32.71
Equals Total amount due	\$32.71

We will debit your checking or savings account for \$32.71 on June 9, 2006.

Patricia F Williams

Your account number: [REDACTED]

For service at: [REDACTED] S Sunrise Dr
MS 1

Questions?

Call 928-634-2246 or 1-800-253-9405,
24 hours a day
Website: aps.com
Para servicio en español llame al:
602-371-6861 (Phoenix) o
1-800-252-9410 (Otras areas)

Important News About Your Electric Bill

This month's bill includes an increase in charges for fuel and purchased power costs. The Arizona Corporation Commission approved a Power Supply Adjustment (PSA) surcharge and an interim PSA adjustor that will begin with your May bill. These increases provide for recovery of a portion of APS' uncollected fuel costs incurred in 2005-06 and will raise the average residential bill about 8.2 percent. Your actual increase depends on your usage. Other classes of customers will also see increases. These increases will not apply to customers on our low-income E-3 or E-4 service plans.

Page 1 of 3

See page 2 for more information.



Your account number [REDACTED]

Bill date
May 26, 2006

☐ Mailing address or phone number change?
Check here and fill in the details on the back.

3975.1.10.1455 1 AC 0.290 ** H092



PATRICIA F WILLIAMS
[REDACTED] N SUNRISE DR
CLARKDALE AZ [REDACTED]

**When paying in person, please
bring the bottom portion of your bill.**

**You do not need to mail a payment.
With SurePay, your payment is
automatically deducted from your
checking or savings account.**



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September, 2005

Nuke unit shut down a 3rd time

Seal leak forces Palo Verde repair

By Ken Alltucker
THE ARIZONA REPUBLIC

A reactor at the Palo Verde nuclear power plant has been shut down for the third time this year due to a leaking oil seal.

Arizona Public Service Co. described this week's repair of the oil seal in Unit 3's coolant pump as a planned move to take care of the persistent problem, which also forced the reactor's shutdown in May and July. APS expects to complete the repairs this week and start up Unit 3 next weekend.

APS officials acknowledge that some oil seals are wearing more quickly than expected, so the utility has launched a "root cause" investigation to get a better idea about why.

"For some reason, we're getting less life out of these seals than others," said James Levine, APS' executive vice president of generation.

"We have some time here to continue with our root cause (investigation) and determine if we have to do something different."

The utility also will closely inspect the oil seals in Palo

See OIL SEAL Page D4

Palo Verde unit is shut down again

OIL SEAL Continued from D1

Verde's other reactors, Units 1 and 2. Levine said there was some evidence that at least one Unit 2 oil seal would need to be replaced soon, although no timeline for its replacement has been established.

Crews also likely will replace some seals during Unit 1's refueling outage that will begin this weekend. Unit 1's outage is expected to last 75 to 80 days as crews tackle major jobs, including replacing steam generators, low-pressure turbines and computer systems.

Levine said APS can't compare notes with other nuclear power plant operators because Palo Verde is the only plant that uses the German-made coolant pumps that are the focus of the examination.

There are two oil seals for each of the four coolant pumps in each reactor. Some nuclear plants in South Korea use

similar parts, so APS will seek to find out whether similar problems have been found there, Levine said.

Reactor shutdowns at Palo Verde this year have been costly for APS and the plant's other owners. Palo Verde is the nation's largest nuclear power plant — a form of energy that is cheaper to generate than other sources of electricity such as coal, oil or natural gas.

APS told the Arizona Corporation Commission last month that it cost more than \$30 million to replace energy lost due to unplanned outages at Palo Verde from April through August. Salt River Project, the second-largest Palo Verde owner, estimates the outages from April through August cost it \$19.5 million.

APS revealed the Palo Verde outage costs to the Arizona Corporation Commission as part of its fuel-cost "adjuster" case that seeks to pass along higher fuel costs to ratepayers. If the utility gets its way, Arizona ratepayers could

see a temporary 2.1 percent hike in electricity bills.

Also this week, the U.S. Nuclear Regulatory Commission will dispatch a special investigative team to Palo Verde from the agency's Arlington, Texas, regional headquarters.

The team will review the plant's equipment and safety systems. The special investigation stems from the plant's "yellow" safety violation that resulted in a \$50,000 fine levied in April after inspectors found air in a pipe that could have disrupted the plant's emergency cooling system.

NRC spokesman Victor Dricks said the special team would gather information at Palo Verde during interviews and inspections this week. The team will return for a follow-up inspection this fall before issuing a final report in December.

Reach the reporter at (602) 444-8285 or ken.alltucker@arizonarepublic.com.

APS seeks rate hike to offset cost of Palo Verde outages

By Ken Allrucker
THE ARIZONA REPUBLIC

Arizona Public Service wants its customers to help pick up the tab for more than \$30 million the utility paid to replace energy lost this year when a string of unplanned outages

at Palo Verde Nuclear Generating Station shut down the plant's reactors.

But state regulators vow to take a tough look at Palo Verde outages and at whether APS or its customers should be responsible for paying the bills associated with energy

purchases needed to offset the less expensive nuclear power.

"That's a big chunk of change, and I think it warrants an independent audit of those expenses before it is passed along to ratepayers," Arizona Corporation Commis-

In July, APS asked the corporation commission to approve a fuel-cost "adjuster" that would hike the typical residential bill 2.1 percent and raise \$100 million to offset rising energy costs. APS says the fuel-

See RATE HIKE Page D7

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BUSINESS

Palo Verde outages cost millions

9-28-05 RATE HIKE
Continued from D1

cost adjuster is warranted under terms of a state-approved rate plan that allows the utility to pass along 90 percent of fuel costs the utility has incurred since April. Fuel costs, led by a run-up in natural gas, have soared 24 percent over the past two years.

APS has been forced to find other, more expensive sources of energy this year to replace energy lost due to several outages at the Palo Verde, the nation's largest nuclear power plant, located about 50 miles west of Phoenix. The outages have proved costly because nuclear power is less expensive to generate than other sources of electricity such as coal, oil or natural gas.

Palo Verde Unit 3 shut down twice this year for the same problem: a leaking oil seal in the reactor's coolant pump. Crews first detected the problem and shut down the reactor in late May. APS fired the unit back up in early July after five weeks of repairs and maintenance only to discover that the oil seal was still leaking. The problem has since been repaired.

Unit 1 shut down mid-August after routine tests showed the reactor's diesel generator was not working properly, and later that month, Unit 2 closed temporarily for needed emergency software tests.

For a nuclear power plant that boasted a stellar operating record for much of the past decade, the past year's problems have been troublesome for APS.

In papers filed with the corporation commission, APS estimates Palo Verde's unplanned outages from April through July have cost the utility about \$18.6 million in replacement energy costs. The August outages cost an additional \$11.9 million.

And APS costs reflect only its 29.1 percent ownership stake of Palo Verde. Salt River Project, which owns the second-largest share of the plant, 17.5 percent, estimates the Palo Verde outages from April through August cost it \$19.5 million.

It's unknown how much the outages cost the plant's other five owners.

"There is no question this has been a tougher year than most recent years," APS spokesman Jim McDonald said. "We took the units down for what we believe were important steps

to protect the margin of safety, which is always going to take a higher priority than production."

Several details still must be hashed out before the corporation commission votes on the fuel adjuster. APS, Corporation Commission staff and other interested parties, including the Residential Utility Consumers Office, expect to meet in late October to discuss the details of the case.

One possible scenario would include an adjuster case that centers on fuel costs not related to the Palo Verde outages. APS would then seek the Palo Verde-related charges at a later date.

In a filing with the Securities and Exchange Commission, the utility made it clear that it fully intends to seek reimbursement for the nuclear power plant charges.

"Under ACC regulations, expenses are presumed to have been prudently incurred, and this presumption may be set aside only by clear and convincing evidence that the expenses were unreasonable, dishonest or obviously wasteful. APS believes these expenses were prudently incurred and are therefore recoverable," according to the SEC filing.